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SUBJECT: SCENESETTER FR 2008 U.S.-EU INFORMATION
SOCIETY DIALOGUE

¶1. (SBU) SUMMARY. This year's annual U.S.-EU Information Society Dialogue (ISD) talks, on September 26, come after a busy period in Europe, with the European Parliament voting on a final scaled-back telecom reform package, the EU calling

for negotiations to update the WTO Information Technology Agreement (ITA), InfoSociety Commissioner developing popular new roaming regulations, and the EU adopting decisions on mobile satellite services. The ISD will feature informal exchanges on these issues, as well as the digital TV transition, cybersecurity cooperation, and other issues. This will be the last ISD for Director General Fabio Colasanti. END SUMMARY.

ISD OVERVIEW

¶2. (SBU) On September 26, the U.S. and EU will meet for our annual Information Society Dialogue (ISD), an informal exchange on respective market and policy developments in the two largest ICT markets in the world. This year's ISD, the last for U.S. lead Ambassador David Gross (from EEB at State) and for European Commission lead Director-General Fabio Colasanti, will feature updates from the European Commission on the EU telecoms review, roaming regulations, and new selection system for mobile satellite services.

¶3. (SBU) Both sides will discuss respective spectrum decisions, the digital television switchover, cybersecurity cooperation, telecom assistance programs in third countries, and other issues. Additional issues that may be discussed include the new EU proposal to update the WTO Information Technology Agreement (ITA), and a new Commission investigation of the Google-Yahoo advertising agreement. The European Commission will be represented primarily at the ISD by officials from DG Information Society and Media (DG INFSO).

¶4. (SBU) Just before the ISD, two transatlantic events on Radio Frequency Identification Devices (RFID) will be held in Washington; a U.S.-EU Symposium on Societal Benefits of RFID, cosponsored by DOC and DG INFSO, and a workshop on held by FTC on September 23. The U.S. and EU are also launching government-to-government pilot projects on RFID. The first one of these will focus on the use of RFID

to track the movements of radioactive isotopes in commerce. The day prior to the ISD, the European American Business Council will hold its annual Digital Economy Workshop, to bring policymakers and industry together for discussions on ICT market and regulatory issues. The entire week of ICT-related events will significantly advance U.S.-EU cooperation on ICT and innovation under the Transatlantic Economic Council (TEC).

EU INFORMATION SOCIETY LEADERSHIP AND REGULATORY STRUCTURE

15. (SBU) Viviane Reding, Commissioner for the Information Society and Media, is a politician and former journalist whose populist initiatives to cut mobile phone roaming prices have made her among the most high-profile Commissioners. Reding, Director General Fabio Colasanti, and DG INFSO, seek to promote development of a single, integrated information and communication technologies (ICT) market in Europe.

16. (SBU) DG INFSO plays three key roles: establishing regulatory policy, supporting ICT research, and overseeing programs to promote wider use of and accessibility to ICT. Reding and DG INFSO share competence over EU telecoms regulation with 27 National Regulatory Authorities (NRAs) and partly with the EU competition Directorate-General (DG COMP). There is no EU-wide telecoms regulator

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and licenses are awarded nationally, so telecoms markets remain more fragmented than most other parts of the Single Market.

17. (SBU) Director General Colasanti is an Italian economist and veteran of many European Commission jobs. He is open and candid in discussing policy issues and concerns, and has built good rapport over the past few years with Ambassador Gross of State. Colasanti will depart DG INFSO shortly as part of a larger reshuffling of DGs throughout the Commission.

EU i2010 STRATEGY

18. (U) The EU i2010 strategy, launched in June 2005, is the latest Commission attempt to develop a coherent policy framework for the era of convergent ICT services. The i2010 strategy aims to complete integration of EU national ICT markets, reinforce innovation and investment in ICT, and promote information society inclusion, public services and quality of life. A Commission mid-term review of the strategy in April 2008 lauded progress in broadband and Internet usage but noted the lack of an integrated market and a persistent digital divide across member states. The report noted that broadband penetration across the EU ranged in January 2008 from 36 percent in Denmark to only eight percent in Bulgaria.

EU ICT MARKET AND POLICY FRAMEWORK

19. (U) The EU's ICT market is one of the largest and most advanced in the world. Total market size was about \$913 billion in 2007 (versus \$1.2 trillion in the U.S.). The EU telecoms sector accounts for about \$401 billion of this total, and is growing at two percent annually. The computer and internet sector account for the remainder.

U.S. FIRM PRESENCE IN EUROPE

¶10. (SBU) All major U.S. ICT firms are invested in Europe; many of these are prominent in EU ICT associations. AmCham EU's Digital Economy Committee is large and active on policy issues here, as is the American Electronics Association's European arm, AeA Europe. Key players include AT&T, Intel, Microsoft, Google, eBay, SAS, GE, Symantec, IBM, Apple, Cisco and Qualcomm.

EU TELECOMS REVIEW UPDATE

¶11. (SBU) The European Commission proposed in November 2007 a significant overhaul of the EU's existing 2003 telecoms regulatory framework, to address persistent lack of competition, incumbent dominance and market fragmentation across Europe. Key European Parliament committees in July 2008 passed heavily amended versions of the Commission's proposals. The committees rejected Commission plans to establish an EU-wide telecoms regulatory authority or give the Commission a veto over national regulator remedies. The EP committees also watered down proposals for greater EU-wide coordination of spectrum allocation, which U.S. industry had strongly supported.

¶12. (SBU) The EP committees did vote to strengthen the existing group of national telecoms regulators, as the leading regulatory body; supported functional separation (forced sale of telecoms units in some cases) to promote competition; and backed many Commission proposals to strengthen consumer rights on transparency of pricing and contracts. The Parliament debated the package September 2, with comments generally supporting the

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committee outcomes. The Parliamentary vote (First Reading) on the package is planned the week of September 22, just before the ISD.

¶13. (SBU) The Council (of EU Member States) was very negative about the initial Commission proposals, and has moved toward the EP position in opposing an EU-wide regulator, a Commission veto or much greater Commission powers over spectrum policy. The French EU Presidency seeks a Member State agreement on the package at the November 27 Telecoms Council, leaving the Czech Presidency to guide the package through a second reading in Parliament by early next year. Council discussions have gone slowly, however, leaving some concern that time may be short to finalize the package before EP elections in May 2009.

ICANN REFORM

¶14. (SBU) Commission ISD participants may raise the question of revisiting internet governance arrangements. Over the past few years, the European Commission has consistently pushed for reform of Internet governance. The EU is uncomfortable with the existing contractual relationship between the Internet Corporation for Assigned Names and Numbers (ICANN), which supervises internet domain names, and the USG (DOC) in particular, and wants to see a system that includes international, governmental accountability. The French have indicated to USEU that Internet governance is one of their EU Presidency priorities.

COMMISSION PROPOSAL TO UPDATE THE ITA

¶15. (SBU) The issue of the EU proposal to update the Information Technology Agreement (ITA) may arise at the ISD as well. USTR notes that ISD participants should not/not comment on the proposal, which will be addressed by the U.S. at the WTO. On September 15, the Commission sent to the WTO a proposal to initiate negotiations to update the 1996 ITA, which provides for duty-free treatment of certain information technology products. The proposed negotiations would be to (1) review product coverage (implicitly, adding new products), (2) adding new parties (currently, 70 WTO Members are part of the ITA); (3) establish a mechanism for updating the Agreement to include newer technologies; and (4) address non-tariff barriers to trade, such as conformity assessment rules and standards.

¶16. (SBU) The USG has not taken a position on this proposal yet (it would normally be discussed in a WTO ITA Committee meeting). However, the initial reaction of USTR is that this proposal Q addressing the possible expansion of ITA obligations Q is separate from our WTO case, which addresses the U.S. view that the EU is failing to meet its current obligations under the ITA. The WTO case also addresses the EU approach to the agreement as static rather than dynamic; the EU does not consider that it covers development of new converged products.

NEW EU MOBILE SATELLITE SERVICES SELECTION PROCESS

¶17. (SBU) On August 7, the Commission launched a new single EU-wide selection and authorization procedure for Mobile Satellite Services (MSS) operators, with the goal of avoiding market fragmentation and creating a pan-EU market. MSS are provided by a satellite system that communicates with portable ground terminals, and can include high-speed internet, mobile TV and radio, plus emergency or disaster relief. The Commission proposed a decision in August 2007; this was approved by the Council and Parliament and entered into force on July 5. Under the new procedure,

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which replaces 27 member state selection procedures, the Commission issued an open call for applications. Interested firms must apply by October 7.

¶18. (SBU) The Commission will assess proposals for technical and commercial viability, efficiency and consumer benefits; systems will operate at the two Ghz band and must be able to reach at least 60 percent of area and 50 percent of the population of all member states. Selections are expected to occur by mid-2009; after this operators will need to be licensed at the national level. Satellite and service launches may occur by late 2009-early 2010. (Comment: The system seems good on balance; though it seeks to improve the competitiveness of the European satellite industry, it appears technology neutral and should provide opportunities to U.S. firms. End comment). MSS will be the first truly single market for an EU telecom service.

ROAMING REGULATION IN EUROPE

¶19. (SBU) Commissioner Reding succeeded in 2007 in regulating the cost to EU subscribers of making and receiving mobile calls while in another EU country

(roaming) to great popular acclaim, resulting in price drops to consumers of about 60 percent. This year, she has turned her attention to the cost of sending SMS messages and other forms of data across borders via mobile phones and is moving towards action on mobile termination rates. These are a feature of the current European Qcalling party pays business model, and that contribute significantly to the cost of mobile telephony in Europe.

GROWING CONCERNS OVER COMMERCIAL DATA PRIVACY

¶20. (SBU) A trend to be aware of is the increased interest on the part of Commissioner Reding and DG INFSO in the area of commercial data protection. The Commission's privacy unit moved from DG Internal Markets to DG Justice, Law and Society in the wake of 9/11, but JLS has not led on the issue very forcefully, leaving room for INFSO and other DGs to get involved on specific issues (such as RFID).

RFID COOPERATION

¶21. (SBU) RFID cooperation is not formally on the ISD agenda, but is a very prominent area of U.S.-EU ICT cooperation. Commissioner Reding has repeatedly expressed strong backing for RFID technology, but is determined to address the significant privacy concerns expressed by stakeholders in response to her 2007 public consultation. DG INFSO is planning to issue a Recommendation to Member States and industry in September or later in 2008 on privacy and security in RFID. Drafts were highly controversial, with fears from the USG and transatlantic industry that privacy protections could go too far, and kill use of the technology in the retail context. An interagency group from the USG provided input on the draft text. Recent drafts seem more acceptable to industry, however.

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